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The Real Estate ANALYST

SAINT LOUIS EDITION

REAL ESTATE ACTIVITY IN SAINT LOUIS AND SAINT LOUIS COUNTY FROM THE CIVIL WAR TO THE PRESENT.

The Real Estate Activity chart on pages 4 and 5 shows graphically the variations in real estate activity in Greater Saint Louis since the Civil War. The straight line marked "normal" represents the average number of voluntary transfers of real estate which would normally take place each month in Greater Saint Louis, were it possible to eliminate entirely the periodic swinging of the pendulum from the extreme of feverish activity to the other extreme of frigid inaction.

This line takes into consideration such factors as the increase in the number of families in the area and such other factors of growth which have gradually been increasing the average volume of business. The black areas above the line represent periods of activity. The black areas below the line represent periods of inactivity. The scale at each end of the chart shows the percentage above or below normal; for example, in May 1923 real estate in Greater Saint Louis reached a point of activity, or liquidity 44% greater than normal, while at the present time its inactivity is twenty-six percent below normal.

The dash line superimposed on the areas is a line showing fluctuations in general business activity in the United States. The amount of variation in these swings can also be read on the scales at the ends of the charts as percentages above or below normal business activity.

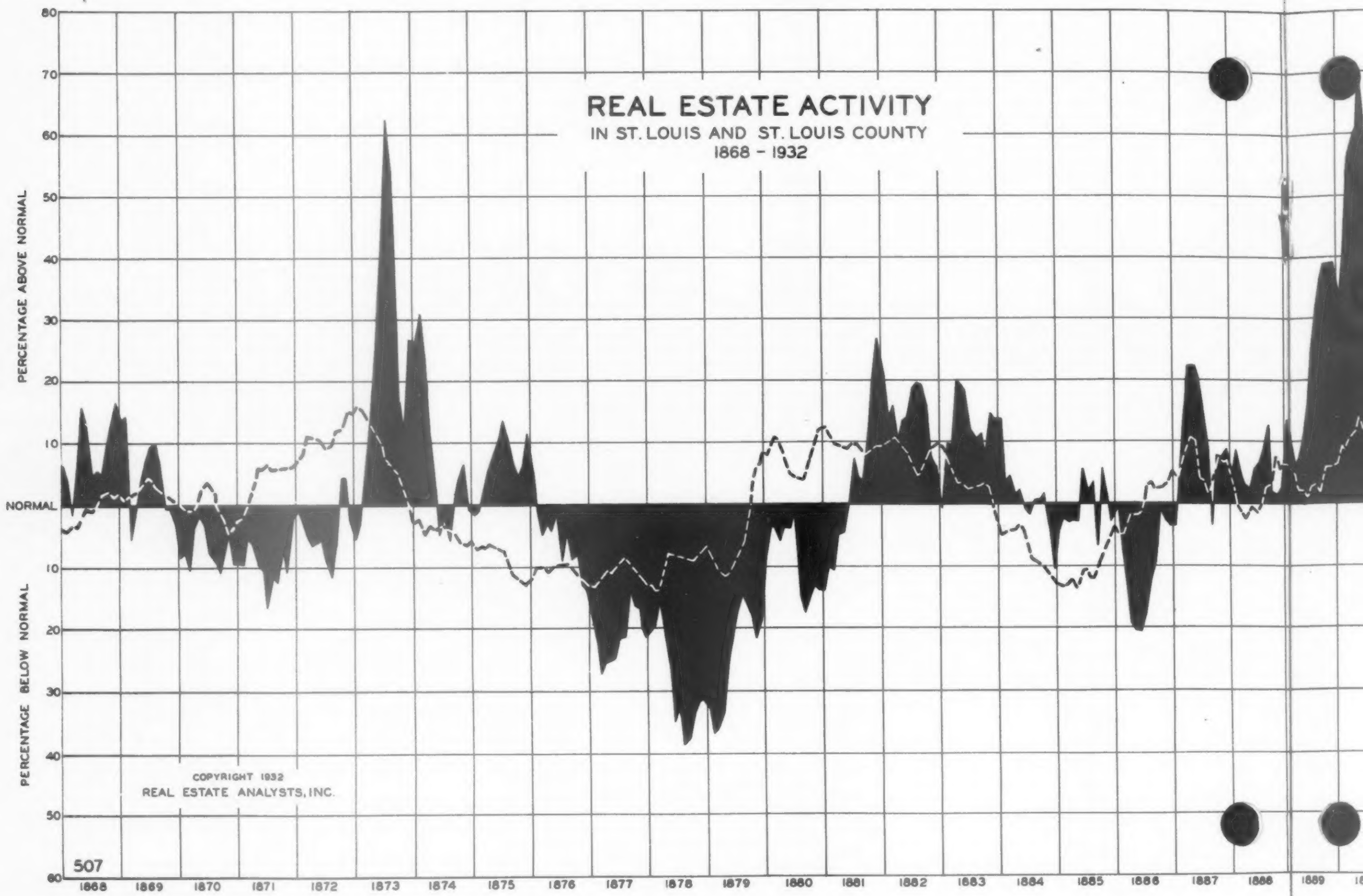
This study teaches several interesting lessons about real estate activity.

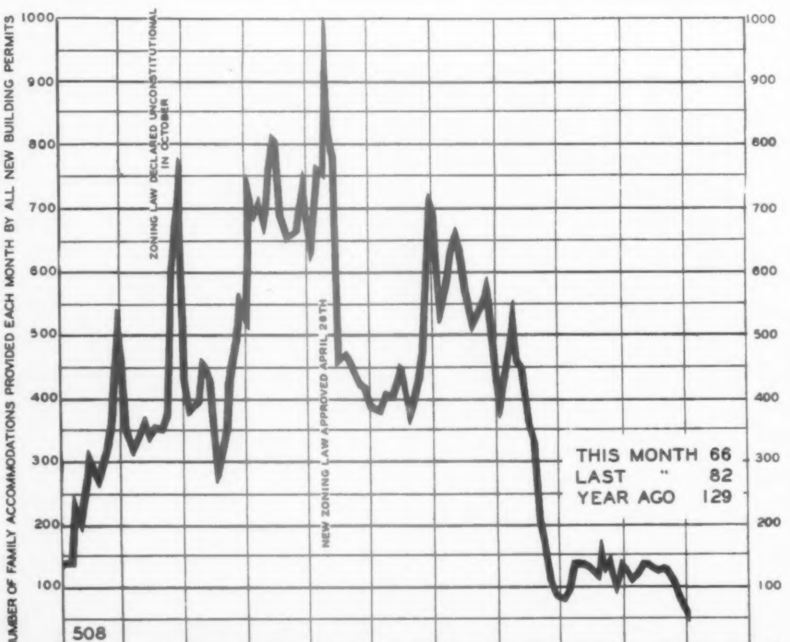
1 - Activity is periodic, coming in more or less regular cycles. Self-evident as this is, during each major real estate boom this fact is lost sight of by almost all investors. Property is purchased with the idea that liquidity of real estate is permanent and that it can be disposed of again as readily as it was purchased. Real estate sales organizations are built up with an idea of permanency and as the boom dwindles away, confused executives employ more pressure in advertising and sales helps in an effort to maintain volume. As activity recedes still further, the cost of maintaining a volume of sales increases until a sales department of any size cannot be operated at a profit. Cash sales become a negligible factor and the trading of distress property furnishes the greater part of such activity as exists.

2 - Real estate activity is only partially dependent on general business activity. A careful study of the fluctuations of the dash line representing general business activity on the long chart will show that, while generally some effect

can be seen in the real estate activity areas, there have been many times when general business was active and real estate quiet, and many times when general business was quiet and real estate active. Examples of active general business and quiet real estate activity can be found in the years 1871, 1872, 1880, 1881, 1899, 1900, 1901, 1902, 1903, 1913, 1914, 1916, 1917, 1918, 1929. Examples of quiet general business and active real estate can be found in 1875, 1891, 1908, 1911, 1921, and 1924. The most interesting of these variations are, the panic of 1907 and 1908 which apparently had little effect on real estate; the war inflation of 1916, 1917 and 1918 which was accompanied by an almost complete inactivity of real estate and the post-war depression of 1920 and 1921 which, although it was unable to carry real estate activity below normal, altered materially the beginning of the post-war real estate boom. Had this depression not occurred, this boom would have, doubtless, taken the shape of the 1905-11 boom only on a slightly larger scale.

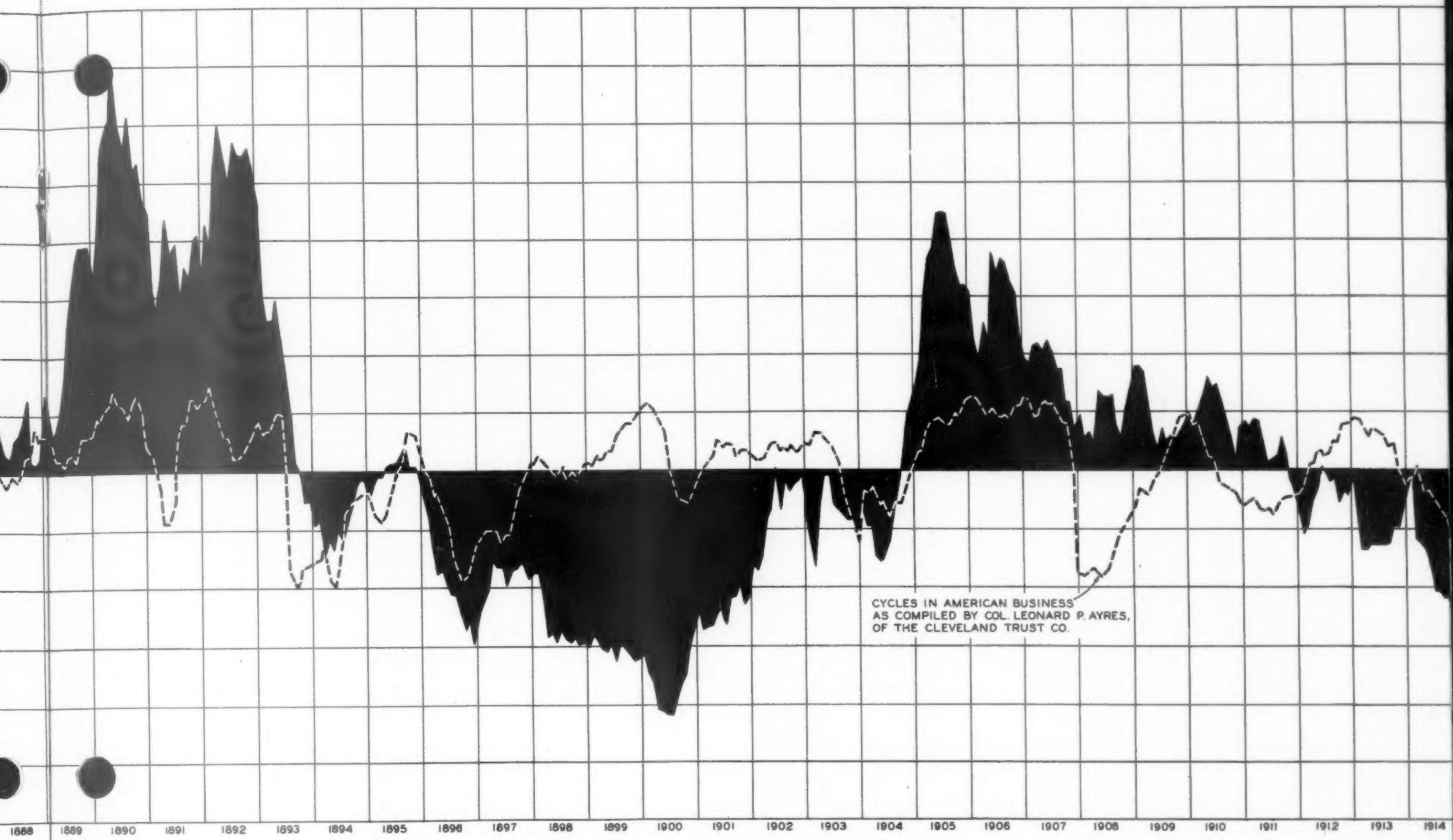
3 - The length of the real estate cycle is much longer than the length of the general business cycle. Since the Civil War there have been only four major real estate cycles and the fourth of these is still uncompleted, while during this same period there have been twelve complete general business cycles averaging only five and one-half years duration. The real estate cycles have run as follows: The cycle starting in 1873, the least pronounced of all of our cycles, took 17 years from the time great activity started to bring it to the next period of great activity. The cycle starting in 1889

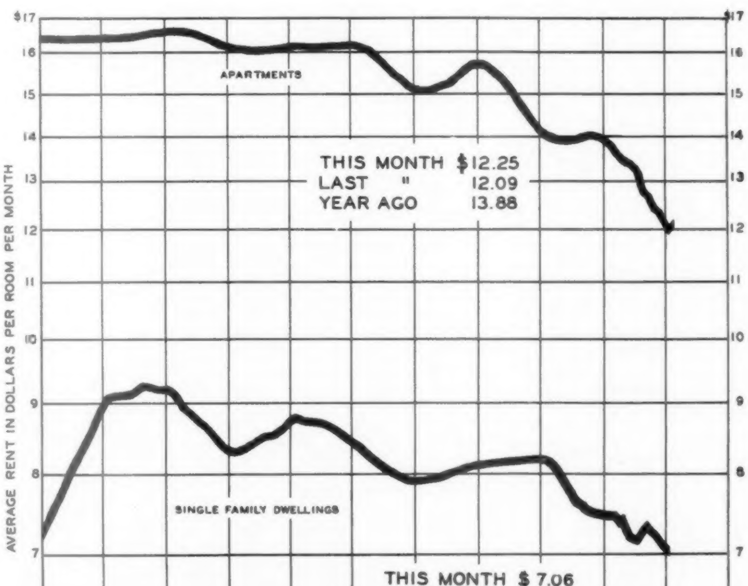




NUMBER OF FAMILY ACCOMMODATIONS
PROVIDED FOR
IN ALL BUILDING PERMITS ISSUED
IN SAINT LOUIS
(ADJUSTED FOR SEASONAL FLUCTUATION)

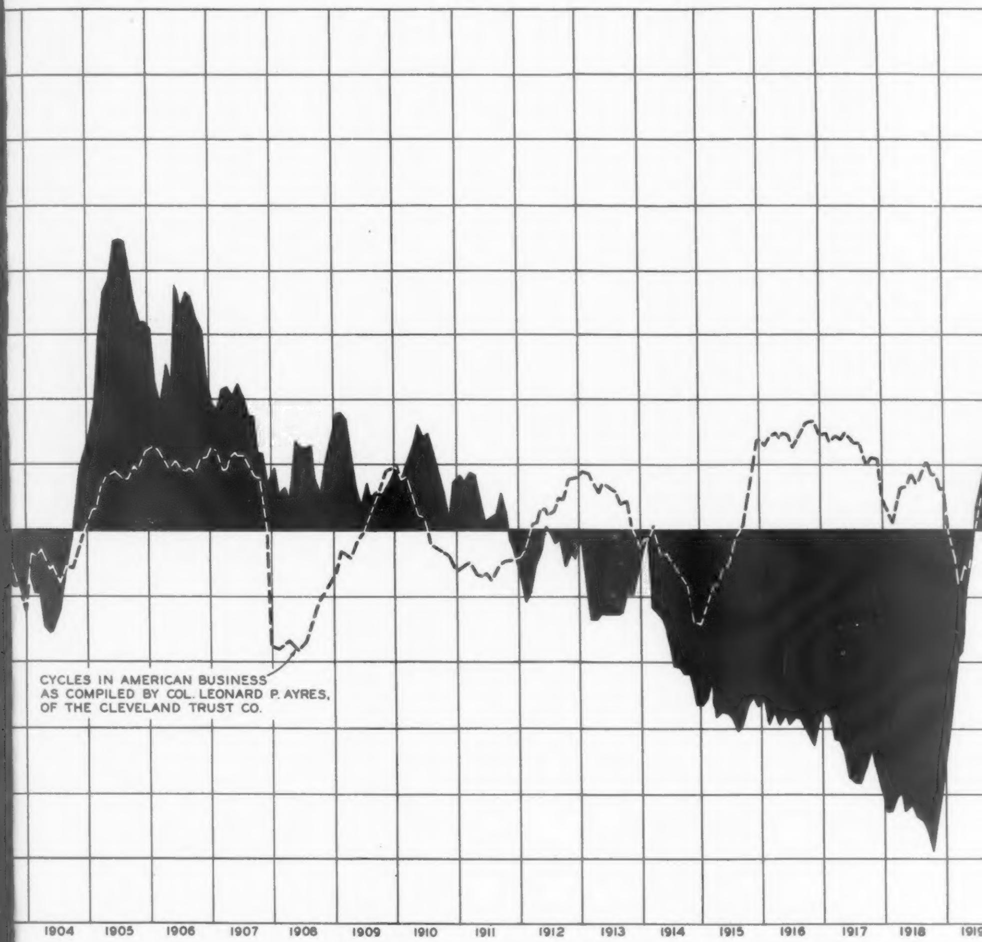
The number of building permits issued is of no significance. The Park Plaza Hotel was one permit, a small cottage housing one family was another, a church was another. A total of three means nothing. Neither does the value of all permits answer the purpose, except as to showing, in a general way, the amount of money which will be spent on labor and materials. The chart to the left is a count of the number of families which can be accommodated by all new buidings provided in the permits issued in Saint Louis each month. One of the most optomistic notes for the future is the present intensity of the building depression, coming at a time when a great many older buildings are being wrecked. A demand is accumulating which will not be felt until after the general depression is over. Then, however, it will probably become apparent rather suddenly, resulting in great increase of activity.





SINGLE FAMILY DWELLING AND APARTMENT RENTS IN GREATER SAINT LOUIS

The chart to the left shows the drop in rentals of apartments and single family dwellings in Greater Saint Louis during the past few years. These rentals are expressed in "average rental in dollars per month per room". No deductions have been made on the chart for concessions which, at least in the case of apartments, have been almost universally allowed during the present depression, generally in the form of a free month on a year's lease. Since the peak, without this deduction, apartment rentals have declined 27.7%, with it 33.8%, or approximately one-third. Concessions on single family dwellings have not been given as frequently as they have on apartments. Single family dwelling rentals, without deducting such concessions as have been given, have declined 21.4%. With a deduction for limited concessions they have declined 29.7%.



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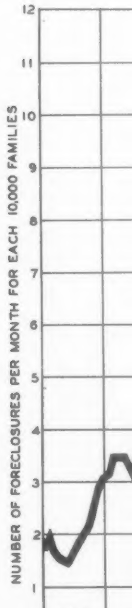

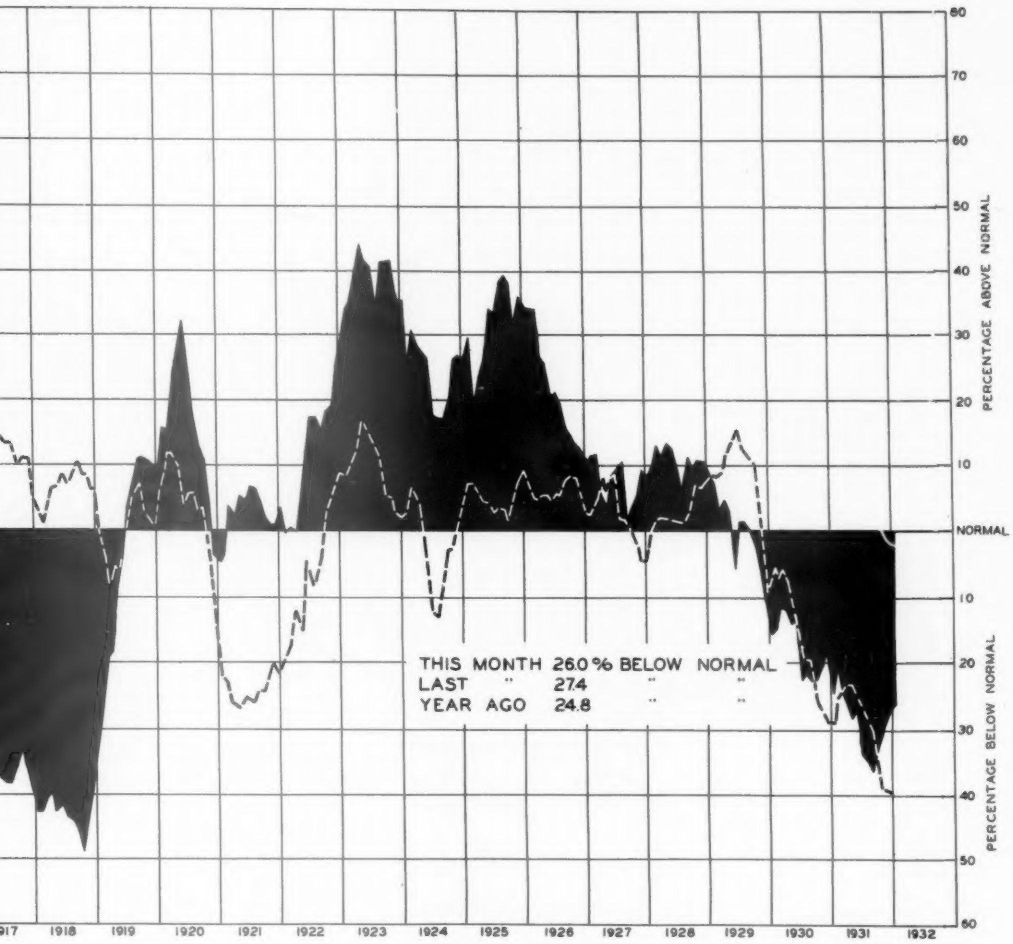

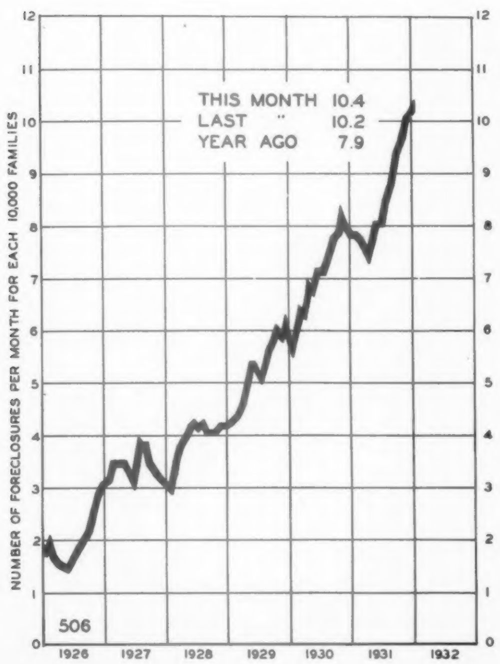

REAL ESTATE MORTGAGES FORECLOSED
IN GREATER SAINT LOUIS
FOR EACH 10,000 FAMILIES
(ADJUSTED FOR SEASONAL FLUCTUATION)

The chart to the left shows the rapid increase in foreclosures per month for each 10,000 families in Saint Louis and Saint Louis County since 1926. The February figure of 10.4 for each 10,000 families in the city and county sets an all time record, surpassing slightly the previous record of 10.1 set in January 1879. Unless a radical change is made in governmental monetary policies, or in international conditions, foreclosures will remain high for some time to come. The April issue of the Real Estate Analyst will be devoted largely to a study of foreclosures in Greater Saint Louis from the Civil War to the present. While undoubtedly many foreclosures at the present time are due to overfinancing and the current business depression, the principle cause of the peaks of 1879 and the present was neither over-financing nor the depressions which followed the boom periods.

MARRIAGE LICENSES ISSUED
IN SAINT LOUIS FOR EACH 10,000 MALES
21 YEARS OF AGE OR OLDER
(ADJUSTED FOR SEASONAL FLUCTUATION)

The chart to the left shows the steady drop since 1923 in the number of marriage licenses issued for each 10,000 males 21 years of age or older. The accumulated shortage of marriages from the normal for Saint Louis since 1924 amounts to more than 13,000. This means more than 13,000 fewer housekeeping units have been started. Coming at a time when there has been considerable "doubling up" of families, because of the depression, it has greatly intensified the vacancy situation. If past experience repeats itself, as soon as the present depression is over the number of marriages will increase, rapidly swinging to a number far larger than usual. This, together with the spreading out of "doubled up families" will help to absorb vacancies quickly. It probably helps to account for the rapid rise in activity at the beginning of each new cycle noted in the description of general real estate activity.

lasted until 1904, or 15 years. The cycle starting in 1904 lasted 15 years and the cycle starting in 1919 has already lasted for 12 years and has not yet been completed.

4 - Real estate activity has increased with great rapidity at the beginning of each cycle; has reached its height and then gradually subsided over a long period of years. In 1873 real estate activity went from 5% below normal to 63% above normal in seven months. It is true that the collapse of general business in the United States in the same year carried it down but it showed some resilience in spite of this major depression. In 1889-90 real estate activity increased from 6% above normal to 71% above in 13 months. In 1904-5 activity increased from 15% to 45% above normal in 14 months. In 1918-1920 it increased from 49% below to 32% above normal in 20 months.

The cycle starting in 1904 illustrates best the tendency, which seems to be in all of these cycles to a greater or less degree, of subsiding very gradually. Though it took only 14 months to go up, it took 13 years to go down.

There is no reason apparent at the present time which would indicate that the next boom will be an exception to these rules. We are not ready for it yet, but when fundamental factors are right, activity will, in all probability, follow the same course it has taken before and increase tremendously in a very short time, to be followed again by a gradual dwindling of activity over a period of many years. A careful study of all fundamental factors will be made month by month to determine the position in the cycle.

As other factors are presented on a long term basis in future issues, many of the causes of the peculiarities of the cycles shown in this issue will become apparent.